

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-14 ISO-00 OPIC-12 CIAE-00

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R 300810Z AUG 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4269

INFO AMEMBASSY COLOMBO

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USMISSION OECD PARIS

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E.O. 11652: N/A

VZWCs: EAID, JA, CE, US

SUBJECT: JAPANESE COMMODITY LOAN TO SRI LANKA

1. GOVERNMENTS OF JAPAN AND SRI LANKA EXCHANGED NOTES AUG. 17 PROVIDING FOR JAPANESE LOAN TO SRI LANKA OF 4,200 MILLION YEN (14 MILLION DOLLARS AT 300 YEN/DOLLAR). TERMS OF LOAN TO EXTENDED BY JAPAN'S EX-IM BANK, WILL BE 4 PERCENT INTEREST AND REPAYMENT OVER 25 YEARS (INCLUDING 7 YEARS' GRACE). LOAN WILL BE USED FOR PURCHASE OF COMMODITIES, AND WILL BE ON QTE LDC UNTIED UNQTE BASIS, I.E., PROCUREMENT MAY BE IN JAPAN OR IN COUNTRIES ON DAC LIST OF LDC'S.

2. ON AUG. 29 EMBOFF REVIEWED NEW LOAN WITH FONOFF REP (SEZAKI, DEPUTYDIRECTOR, FIRST ECONOMIC COOPERATION DIVISION), WHO PROVIDED FOLLOWING ASSESSMENT: TERMS OF NEW LOAN SOMEWHAT SOFTER THAN THOSE OF PRECEDING JAPAN-
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ESE LOAN TO SRI LANKA, WHICH COMMITTED IN JULY 1973.

ALTHOUGH REPAYMENT AND GRACE PERIODS REMAIN SAME, INTEREST WAS LOWERED 0.5 PERCENT FROM 4.5 PERCENT RATE ON PRECEDING LOAN. LOAN WILL BE USED TO PURCHASE AGRICULTURAL MACHINERY, CHEMICALS, AUTOMOBILE SPARE PARTS, MISCELLANEOUS MACHINERY SPARE PARTS, AND, IF POSSIBLE, FERTILIZER. OTHER THAN FERTILIZER GOJ DOES NOT ANTICIPATE THAT SRI LANKA WILL HAVE ANY DIFFICULTY IN PURCHASING DESIRED COMMODITIES, SAID SEZAKI.

3. NOTING THAT THE PRECEDING LOAN TO SRI LANKA HAD BEEN ALMOST COMPLETELY UTILIZED, SEZAKI SAID THAT JAPAN HAD ENCOUNTERED PROBLEMS AND DELAYS IN DISBURSEMENT OF YEN LOANS TO VARIOUS LDC'S, BUT THAT SRI LANKA WAS RELATIVELY EFFICIENT IN THIS RESPECT, TO GRATIFICATION OF GOJ. (SEZAKI ALSO SPECIFICALLY MENTIONED SOUTH VIETNAM AS BEING SIMILARLY EFFICIENT.)

4. SEZAKI CONFIRMED THAT ONLY JAPANESE LOANS TO SRI LANKA TO DATE HAVE BEEN COMMODITY LOANS. THERE HAVE BEEN NO PROJECT LOANS. SRI LANKA RECENTLY REQUESTED JAPAN TO JOIN IN FINANCING FERTILIZER PLANT PROJECT, BUT, AS NEGOTIATIONS BETWEEN SRI LANKA, IBRD, AND OTHER POTENTIAL DONORS ALREADY WELL ADVANCED AT TIME REQUEST WAS MADE, GOJ DECLINED TO PARTICIPATE.
HODGSON

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